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MEMORANDUM

To: All Employers

From: Peggy G. Boykin, CPA

Re: Employee Contributions under Act 153

Date: July 29, 2005

In Act 153, effective July 1, 2005, the General Assembly: 1) increased active employee contributions on the earnable compensation of South Carolina Retirement System (SCRS) members to 6.25 percent from 6 percent; 2) required working retirees of SCRS, including TERI participants, to pay employee contributions of 6.25 percent on their earnable compensation; and 3) required working retirees of the Police Officers Retirement System (PORS) to pay employee contributions of 6.5 percent of their compensation.

A number of members and employers have questioned whether the Retirement Systems should collect the increased contributions for SCRS members, or the contributions for working retirees of SCRS or PORS, on compensation that was earned prior to the July 1, 2005, effective date of Act 153.

Upon review by staff, the Retirement Systems has determined that the contribution increases required by Act 153 should only apply to compensation earned by active members and working retirees on and after July 1, 2005. Accordingly, the July 1st effective date for employee contribution increases in Act 153 is tied to when compensation is earned, not when compensation is paid. Thus, employee contributions of 6 percent rather than 6.25 percent should have been withheld from paychecks issued on and after July 1, 2005, to active contributing members of SCRS for compensation that was earned prior to July 1, 2005. Likewise, no employee contributions should have been withheld from paychecks of working retirees of SCRS or PORS issued on and after July 1, 2005, for compensation earned by the working retirees prior to July 1, 2005.

The Retirement Systems recognizes that employers utilizing a pay lag have likely already run payrolls on and after July 1, 2005, in which the increased employee contributions required by Act 153 have been withheld with regard to compensation earned prior to July 1, 2005. Within the next two weeks, the Retirement Systems will issue further guidance concerning corrective measures for employers who have withheld contributions on compensation earned prior to July 1, 2005.